

**Laura Shin** Women@Forbes*I cover Bitcoin, blockchain, fintech, personal finance and career*

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How To Choose A Bank Account: 10 Things To Look For

**Laura Shin**, Women@Forbes

This is part 1 of a pair of articles on getting a better bank. Read here for the second story, "[How To Switch Banks In 5 Easy Steps](#)."

On a recent vacation with friends, I was shocked to discover some of them were paying monthly maintenance fees for their checking accounts.

And they are not alone: 45% of Americans pay those or other fees in a typical month, according to the American Bankers Association.

This is absolutely unnecessary given how many bank accounts these days are free or have avoidable fees, such as when the charge is waived if you receive a direct deposit, maintain a minimum balance or sign up for electronic statements. [Bankrate found](#) that 96% of checking accounts at traditional banks fall in either of these categories (38% are flat-out free, as are 72% of checking accounts at credit unions).

If your bank charges you \$10 a month just to hold your account, making a switch could save you \$120 a year, the equivalent of a pair of concert tickets or a big night out on the town — and more than a Fitbit or one share of Apple stock.

And that's just the savings from the monthly fee. Others, like the overdraft fee, can be as high as \$35 per overdraft.



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“You have to be careful and read your agreement with the bank, the way you’d read a contract with a credit card or debit card, because a lot of banks charge fees and they are hidden,” says Pamela Banks, senior policy counsel covering financial services issues for [Consumers Union](#). “One of the things you are looking for is a bank that will allow you to conduct your affairs but not be charged fees, or be nicked and dined for fees or have high fees associated with it.”



Emigrant Industrial Savings Bank (Photo credit: Wikipedia)

Remember the brouhaha that erupted a few years ago when Bank of America announced it would charge people \$5 a month to use their debit cards to make purchases? “Bank of America dropped it, so you thought, ‘It’s a victory for consumers, this is great,’ but they made it very clear, ‘Okay, we’ll drop that fee, but we’ll have another or a higher fee on something else to make up the revenue that will be lost.’ It’s like whack a mole. You shut down one fee and another may come up or not be as transparent,” she says.

Have a feeling your bank doesn’t stack up? Here’s what to look for:

Checking Accounts

1. No Monthly Fee

For checking, Greg McBride, chief financial analyst at [Bankrate.com](#), recommends getting an account with no monthly fee — or one that’s avoidable, preferably through something like direct deposit. Some banks, as an incentive for you to keep your savings and retirement accounts in the same place, allow you to avoid this charge with a minimum balance maintained across all the accounts, but keep in mind that some financial planners recommend keeping savings and checking accounts at separate banks to

minimize the temptation to plunder savings for daily expenses.

2. No Minimum Balance Requirement

A good bank account has no minimum balance requirement which can range from \$500 to \$10,000, says McBride. That will keep that money locked up, earning pretty much no interest.

3. No Limitations On The Number Or Method Of Transactions

You should be free to have as many transactions in your account as you need, and to be able to withdraw, deposit or transfer money between checking and savings in any manner you like without worrying about incurring charges.

4. Free ATM Access

Your bank should not charge you for withdrawing money, and when choosing your bank, you should consider whether it has a large network of ATMs or reimburses fees imposed by other banks. (As I discussed [in this article](#), I use an online bank that reimburses all my ATM fees, even when I'm out of the country.)

5. Online And [Mobile](#) Access

You should also be able to check up on your account, pay bills and make deposits electronically, both at your computer and on the go.

In a checking account, some nice-to-haves include branch access, free checks and a high interest rate (more common with online banks).

A Word About Overdraft Protection

Overdraft fees are some of the biggest ones that hit consumers. McBride says the easiest way to avoid overdraft is to link your checking and savings, so you don't have to borrow from the bank if you overdraft. He says the fee for that is typically less than \$10.

Banks recommends trying to avoid overdrafting at all, since you may be \$1 or \$2 short, but then be charged \$35 to process that small loan.

So, if you are careful with your budget and don't often feel money is tight, skip the overdraft and just make sure to keep a healthy balance in your account.

If you're living more paycheck to paycheck,

overdraft protection might make sense for you. Just make sure the fees are low and that the bank won't manipulate the order of your transactions in order to generate the most fees. For instance, if you have three overdraft transactions in one day, it could process the largest one first in order to land you in the red and ensure you pay three overdraft charges, instead of processing the two smaller ones first and only charging you \$35 once for the biggest charge.

Savings Accounts

1. Federal Deposit Insurance

Federal deposit insurance either through the Federal Deposit Insurance Corporation or the National Credit Union Administration will ensure you get back your insured deposits if your bank were to fail. The standard insurance amount is \$250,000 per depositor, per insured bank, so if you want to deposit more than that, hold the extra in a separate bank. (Check [here](#) to see if your bank has FDIC insurance and [here](#) to see if your credit union offers it.)

2. Liquidity

You should have access to the money via online transfer, ATM or teller withdrawal. While you don't want such easy access that you're tempted to use your savings every month, you also want to be able to access that money in a real emergency.

3. A Competitive Interest Rate

Another necessity is a competitive interest rate — or, at least competitive relative to inflation. (Right now, with today's low interest rates, McBride says anything at 0.7% interest or above is competitive.)

4. Online and Mobile Access

With electronic access, you can add to or withdraw money from your account (such as by mobile deposit with a smartphone app) without having to go to a branch.

5. Sub Accounts

Many financial planners also recommend getting a savings account that allows you to sub-divide your money into separate goals, so you can hold your emergency savings separate from savings for a down payment on a home, and your upcoming vacation money, etc. This will make it easier for you to save, avoid the issue of double-booking money mentally (thinking that the \$1,000 you're depositing will go toward the house and then later

thinking you'd set it aside for your vacation) and also help you resist the temptation to dip into your emergency savings for non-emergencies.

For savings accounts, avoid those that charge excessive transactions or low balance fees.

Since the Consumer Financial Protection Bureau came on the scene, it's put in effect some disclosure requirements for banks, but McBride says, "most financial institutions have been ahead of the curve in anticipating that, so I think the more effective influence has just been the competitiveness of the banking market place. That has prompted banks to be more proactive with fee transparency and aligning themselves with customers as their allies rather than being seen as adversaries."

Related:

[How To Switch Banks In 5 Easy Steps](#)

Update, July 1: *The ABA study cited at top found that 45% of Americans pay bank fees during an average month, not that 45% of Americans pay monthly bank fees.*

Laura Shin is the host of the [Unchained](#) podcast ([iTunes](#), [TuneIn](#)) and author of [The Millennial Game Plan](#) and [Money Hacks](#). Disclosure: I own a small number of Bitcoin.

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